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No. 98 - 531

IN THE

Supreme Court of the United States

October Term, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

MOTION FOR LEAVE TO FILE AND BRIEF *AMICUS CURIAE* OF THE REGENTS OF THE UNIVERSITY OF CALIFORNIA IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

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IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1998

No. 98-531

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

v.

COLLEGE SAVINGS BANK AND UNITED STATES OF AMERICA,

Respondents.

On Petition for a Writ of Certiorari
To the United States Court of Appeals
for the Federal Circuit

MOTION OF THE REGENTS OF THE UNIVERSITY OF CALIFORNIA TO FILE A BRIEF *AMICUS CURIAE* IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

The Regents of the University of California ("the University") hereby moves, pursuant to Rule 37.2, for leave to file the attached brief *amicus curiae* in support of the petition for writ of certiorari in this case. While the petitioner and the United States have consented to the filing of this brief, respondent College Savings Bank has declined to consent. Correspondence reflecting the consent of the petitioner and of the United States has been lodged with the Clerk.

The Regents of the University of California is a corporation authorized by article IX, § 9(a) of the California Constitution. The University is "a constitutionally created arm of the state," *Regents of the University of California v. City of Santa Monica*, 143 Cal. Rptr. 276, 279 (Cal. Ct. App. 1978), a "branch of the state itself," *Penington v. Bonelli*, 59 P.2d 448, 450 (Cal. Dist. Ct. App. 1936), "a statewide administrative agency," *Ishimatsu v. Regents of the University of California*, 72 Cal. Rptr. 756, 763 (Cal. Ct. App. 1968), and " 'a branch of government equal and coordinate with the Legislature, the judiciary, and the executive.' " 30 Op. Cal. Att'y Gen. 162, 166 (1957). As an arm of the State of California, the University is entitled to assert an Eleventh Amendment immunity in suits against it in federal court. *See Thompson v. City of Los Angeles*, 885 F.2d 1439, 1443 (9th Cir. 1989); *BV Engineering v. University of California, Los Angeles*, 858 F.2d 1394, 1395 (9th Cir. 1988), *cert. denied*, 489 U.S. 1090 (1989); *see also Regents of the University of California v. Doe*, 519 U.S. 425 (1997).

The University is the State of California's "primary state-supported academic agency for research," whose mission is to "provide undergraduate and graduate instruction in the liberal arts and sciences and in the professions," with exclusive jurisdiction over medicine and other fields. Cal. Educ. Code § 66010.4(c) (1988). As a result of its academic research activities, the University has applied for and owns a number of patents.

The University has a substantial interest in the issue presented in this case, which addresses the scope of Congress's power to abrogate a State's Eleventh Amendment immunity thereby making it amenable to suit in federal court for patent infringement. In the decision below, the Federal Circuit held that Congress could constitutionally abrogate a State's Eleventh Amendment immunity in patent infringement suits under the enforcement power conferred upon it by Section 5 of the Fourteenth Amendment, because a patent is "property" that cannot be "deprived" by a State under that Amendment's Due Process clause. Because of the exclusive jurisdiction conferred upon the Federal Circuit with respect to appeals in cases arising under the patent law, 28 U.S.C. § 1295, this issue most likely will not be

considered by any other circuit, and the decision below will govern any case in which a state entity such as the University is sued in federal court by a private party alleging patent infringement.

The University also has a petition for certiorari currently pending before the Court in a patent case. *Regents of the University of California v. Genentech, Inc.*, No. 98-731. The question in that case presents the mirror image of this one: *i.e.*, whether Congress can, under Section 5, abrogate a State's Eleventh Amendment immunity and subject it to suit in federal court when the State is not the alleged *infringer* but the patent *owner*. That case also presents the question of whether a State can be deemed to have waived its immunity simply by owning a patent and threatening to enforce it.

The University believes that the decision below, like the decision for which it has sought review, represents an unwarranted judicial expansion of the congressional power to curtail the States' Eleventh Amendment immunity.

Accordingly, the University moves for leave to file the attached brief *amicus curiae* to assist the Court in evaluating the petition for certiorari in this case.

Respectfully submitted,

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BRIEF *AMICUS CURIAE* OF THE REGENTS OF THE UNIVERSITY OF CALIFORNIA IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

The Regents of the University of California ("the University") respectfully submits this brief *amicus curiae* in support of the petition for a writ of certiorari in this case.[1]

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[1] Pursuant to Rule 37.6, the University states that no counsel for any petitioner or respondent authored this brief in whole or in part. Nor did any person or entity, other than the University, make a monetary contribution to the preparation or submission of this brief.

INTEREST OF AMICUS CURIAE

The interest of the University is set forth in the foregoing Motion for Leave to File.

REASONS FOR GRANTING THE PETITION

This patent infringement case is one of two in which the Federal Circuit was recently presented with complex constitutional issues involving congressional authority to abrogate state Eleventh Amendment immunity. The second case is one involving the University. *Genentech v. Regents of the University of California*, 143 F.3d 1446 (Fed. Cir. 1998), *petition for certiorari pending*, No. 98-731.

In both cases, the Federal Circuit's broad holdings that state entities are subject to suit in federal court in patent cases appear to have been reached with little attention to the real issues. Neither opinion satisfactorily addresses the difficult questions presented as to the scope of Congress's authority to strip States of Eleventh Amendment immunity under its power to enforce the Due Process clause of the Fourteenth Amendment. Both cases now have petitions for certiorari pending in this Court.

For the reasons given below, the University supports the petition for certiorari in this case and believes that the interests of justice would be served if both this case and the University's own case, No. 98-731, were considered together.

A. The Decision Below—Which Departs From This Court's Precedents as to The Substantive and Remedial Scope of The Fourteenth Amendment—Deserves Review from This Court Before It Becomes The "Law of the Land" Applicable in All Patent Cases Against State Governments.

In the decision below, the Court of Appeals for the Federal Circuit found that "the patent owned by [the petitioner] is

property." *See College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343, 1349 (Fed. Cir. 1998). It therefore concluded that "[p]rotecting a privately-held patent from infringement by a state is . . . a legitimate congressional objective" that Congress can advance by abrogating state Eleventh Amendment immunity under its power to enforce the Due Process clause of the Fourteenth Amendment. *Id.*

Critically absent from the court's opinion is any analysis as to whether a patent owner's property interest in a patent vis a vis the State is "property" that may be "deprived" *within the meaning of the Due Process clause*. As this Court has made clear time and again, not all property interests are "property" for purposes of the constitutional Due Process clause. *See Bishop v. Wood*, 426 U.S. 341, 343-47 (1976); *Memphis Light, Gas & Water Div. v. Craft,*, 436 U.S. 1, 11-12 (1978); *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 430 (1982). Nor is all interference with property a "deprivation" in the constitutional sense. *See Mathews v. Eldridge*, 424 U.S. 319 (1976); *Hudson v. Palmer*, 468 U.S. 517, 533 (1984); *Daniels v. Williams*, 474 U.S. 327 (1986).

Even more troubling, the Federal Circuit failed to address the question whether Congress can validly abrogate state immunity to enforce the Fourteenth Amendment when there was no evidence that the States had denied private parties alleging state interference with their patent rights "due process of law" in their own courts.

The conclusion of the Court of Appeals that the claimed infringement implicates the Due Process clause is suspect in every relevant aspect:

1. Patents are a notable exception to the Court's general observation that property interests "are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law." *Board of Regents v. Roth*, 408 U.S. 564, 577 (1972) (due process claim); *see also Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)

(takings claim). Patents do, in fact, find their source directly under the Constitution. Specifically, they are created under Congress's article I power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const, art. 1, § 8[8].

"[The patent monopoly] did not exist at common law . . . It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes." *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923), *quoting Gayles v. Wilder*, 51 U.S. 477, 494 (1850). As a creature of statutory law, the "bundle of rights" that make up a patent are those that Congress has conferred under its article I powers. *See* 35 U.S.C. § 261 ("Patents shall have the attributes of personal property."). One of these rights is the right to sue others for infringement in federal court. *See* 35 U.S.C. § 271. However, the bundle of rights that make up a patent never included the right to sue a State in federal court, at least not since the ratification of the Eleventh Amendment in 1798. Congress only attempted to add that right to the bundle of rights that make up a patent in 1992, when it amended the Patent Act to include state entities as potential defendants in infringement actions. *See* Patent and Plant Variety Protection Remedy Clarification Act of 1992, Pub. L. No. 102-560, 106 Stat. 4230, *codified at* 35 U.S.C. §§ 271(h), § 296.

The Federal Circuit's *ipso facto* conclusion that Congress can exercise its section 5 enforcement power to abrogate state Eleventh Amendment immunity simply because a patent is "property" ignores that this particular type of property is created under Congress's article I powers. And Congress does not have the power, under article I, to subject unconsenting States to suit in federal court. This Court made perfectly clear in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), that

> Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States. The Eleventh Amendment restricts the judicial power under Article III, and *Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.*

Id. at 72-73 (emphasis added; footnote omitted).

The decision below glosses over the question whether Congress can constitutionally include within the "bundle of rights" that it has created in a patent the right to sue a State in federal court, when the Eleventh Amendment would otherwise prevent such a suit. Instead, it simply notes that patents were "considered property at the time of the adoption of the Fourteenth Amendment," 148 F.3d at 1352, without considering what rights were part of that property interest. *Cf. Seminole Tribe*, 517 U.S. at 73 n. 16 ("Although the copyright and bankruptcy laws have existed practically since our nation's inception . . . there is no established tradition in the lower federal courts of allowing enforcement of those federal statutes against the States.")

In short, the Court of Appeals' assumption that the "property" interest of a patentee includes the right to sue a State in federal court is supported neither by the constitutional power under which the property was created nor by historical tradition.

2. In summarily concluding that "such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states," 148 F.3d at 1352, the Federal Circuit also assumed, without analysis, and incorrectly, that patent infringement by a State amounts to a constitutional "deprivation" of property.

This Court has emphasized that "property" is "deprived" within the meaning of the Fourteenth Amendment only when a state actor has acted intentionally and the action represents an arbitrary exercise of governmental power. In *Daniels v. Williams*, 474 U.S. 327 (1986), the Court stated that the guarantee of due process applies only to "*deliberate* decisions of government officials to deprive a person of . . . property." *Id.* at 331 (emphasis

added). This limitation on the definition of what constitutes a "deprivation" for constitutional purposes "reflects the traditional and common-sense notion that the Due Process Clause . . . was intended to secure the individual from the arbitrary exercise of the powers of government." *Id.* Thus, negligent conduct by a state official, "even though causing injury," does not constitute a deprivation under the Due Process Clause. *Id.*; *see also Davidson v. Cannon*, 474 U.S. 344, 347-48 (1986) ("lack of care simply does not approach the sort of abusive government conduct that the Due Process Clause was designed to prevent").

In sharp contrast, liability for patent infringement may be proven without any showing of intent. *See Warner-Jenkison Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 (1997); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478 (1974); *Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 832 (Fed. Cir. 1991). As one court explained early on:

> This question [of infringement] is one irrespective of motive. The defendant may have infringed without intending, or even knowing it; but he is not, on that account, the less an infringer. His motives and knowledge may affect the question of damages, to swell or reduce them; but the immediate question is the simple one, has he infringed?

Parker v. Hulme, 18 F. Cas. 1138, 1143 (C.C.E.D. Pa. 1849).

Thus, the fact of infringement does not, as the court below assumed, necessarily constitute a "deprivation" of property in the constitutional sense.

3. Finally, the decision below assumes that infringement patent by a state entity can constitute a constitutional deprivation "without due process of law," sufficient for Congress to invoke its Section 5 enforcement powers, even though there was no evidence in the legislative record that other remedies were not available.

There is no insufficiency of process available to patent owners. Prior to the Congress's abrogation of immunity in 1992, the Federal Circuit indicated that a patent owner's remedy against state infringement was by means of a suit for a taking without just compensation or other similar proceeding in state court. *See Chew v. State of Cal.*, 893 F.2d 331, 336 n.5 (Fed. Cir.) (lack of abrogation provision in patent statutes "simply forecloses one avenue of recourse"), *cert. denied*, 498 U.S. 810 (1990); *Jacobs Wind Elect. v. Florida Dep't of Transp.*, 919 F.2d 726, 728 (Fed. Cir. 1990) (the patent owner's "contentions that it is left without any remedy in Florida and that a Florida court cannot pass on the validity of a patent are simply wrong"). In light of these precedents, the Court of Appeals in the decision below did not find that States had been depriving patent owners of their property "without due process of law" but held only that the additional right to sue a State under Title 35 for infringement gives patent owners "access to the remedies of attorney fees and treble damages." 148 F.3d at 1354, *citing* 35 U.S.C. §§ 284, 285. However, no court has found that attorney fees and the possibility of treble damages are constitutionally required components of "due process."

This Court has been loathe to find that the Constitution is offended by the actions of state or local officials if those actions can be addressed through state remedies. *See Parratt v. Taylor*, 451 U.S. 527 (1981) (no violation of due process if State makes post-deprivation remedy available); *Williamson Co. v. Regional Planning Comm'n v. Hamilton*, 473 U.S. 172 (1985) (no violation of Takings Clause if claimant has not first sought compensation through state procedures). The Federal Circuit's finding that an abrogation of Eleventh Amendment immunity that applies to all States can be upheld as an appropriate enforcement of the Due Process clause applicable to each State regardless of the process available in its own courts flies in the face of the principles informing these decisions.

Furthermore, even if there were no adequate remedy in the state courts, the ineligibility of a patent holder to bring an infringement action against a state in a state forum is not the result of state action (for many if not most States have waived sovereign immunity in their own courts sufficiently to accommodate an

appropriate action based on infringement of a patent). Rather, it is the result of a congressional decision to confer exclusive jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners to meet the Fourteenth Amendment standard, its cause is federal, not state, action. Section 5 of the Fourteenth Amendment may not justify intrusion on state rights to remedy injuries caused by federal action.

In sum, the opinion below, in finding a valid exercise of Congress's authority under the Fourteenth Amendment, fails adequately to address whether (1) there is a constitutionally-protected property interest, (2) that is at the risk of intentional deprivation, (3) without due process of law—all of which are elements of the substantive provisions of Section 1 of the Amendment, the source of rights allegedly being "enforced" pursuant to Section 5.

4. Respondents might argue that any deficiencies in the court's constitutional analysis can be forgiven under this Court's decision in *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997), which addressed the scope of Congress's enforcement power under Section 5. *City of Boerne* recognized that Congress's Section 5 authority might extend beyond prohibition of pure constitutional violations. *Id.* at 2164. However, the case also makes clear that the predicate for exercise of the Section 5 power is that it be directed to preventing or remedying a *constitutional* violation (even if other violations are prevented or remedied as well), *id.* at 2164, and there is no constitutional violation that can justify Congress's exercise of power here.

Moreover, even if there is a constitutional harm sufficient to invoke Congress's Section 5 authority, *City of Boerne* requires a "congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." *Id.* The abrogation of state Eleventh Amendment immunity for patent actions in 35 U.S.C. §§ 271(h) and 296 does not satisfy this "proportionality" standard.

In upholding the abrogation of a State's Eleventh Amendment immunity in patent actions, the Federal Circuit Court of Appeals repeatedly analogized Congress's power to abrogate a State's immunity to its imposition of liability on private parties. The court held that it was proper for the Congress to subject a State found to have infringed a patent to "the same consequences as a private party infringer." 148 F.3d at 1355. It maintained that there "is no sound reason . . . that Congress cannot subject a state to the same civil consequences that face a private party infringer." *Id.* And it noted that the patent laws "subjects states to no greater burdens than those that must be shouldered by private parties." *Id.*

It was error for the court to treat a State like a private party and not a sovereign entity. This Court's Eleventh Amendment jurisprudence is founded on the notion that the Constitution recognizes States as sovereign governments operating within the federal system. *Seminole Tribe*, 517 U.S. at 68. Eleventh Amendment immunity reflects that "States of the Union, still possessing attributes of sovereignty, shall be immune from suits, without their consent, save where there has been a 'surrender of this immunity in the plan of the convention.' " *Principality of Monaco v. Mississippi*, 292 U.S. 313, 323 (1934). Thus, "[t]he Eleventh Amendment does not exist solely in order to 'preven[t] federal court judgments that must be paid out of a State's treasury,' . . . it also serves to avoid 'the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties.' " *Id.* at 58, *quoting Hess v. Port Authority Trans-Hudson Corp.*, 513 U.S. 30, 48 (1994), and *Puerto Rico Aqueduct and Sewer Authority v. Metcalf & Eddy*, 506 U.S. 139, 146 (1993).

In assessing whether the abrogation of immunity in the patent laws reflects a "congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end," one compelling comparison is to look to how the law treats the sovereign Federal government. A comparison of the standard to which the Federal government holds itself, compared to what is has imposed on the States, illustrates a lack of proportionality fatal to any reliance on *City of Boerne* to uphold the sweeping abrogation clauses at issue here.

Congress has waived the federal government's immunity from suit in patent actions in 28 U.S.C. § 1498(a). An action for infringement actions against the federal government is considered an eminent domain action, not a suit in tort as it is for private infringers. *See Leesona Corp. v. United States,* 599 F.2d 958, 966-67 (Ct. Cl.), *cert. denied,* 444 U.S. 91 (1991); *see also Decca Ltd. v. United States*, 544 F.2d 1070, 1082 (Ct. Cl. 1976). Suit must be brought in the Federal Court of Claims, and recovery for federal infringement is limited to "just compensation." *See Leesona*, 599 F.2d at 964. A patent owner may not seek injunctive relief against the Federal government for infringement. Moreover, the federal government is not liable for attorney's fees and costs unless the patent owner successfully claiming infringement is "an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention" *and* the position of the United States in the infringement litigation was not substantially justified. 28 U.S.C. § 1498(a).

Even assuming that Congress can, under *City of Boerne*, exercise its Section 5 enforcement powers to prevent harms that do not rise to the level of constitutional "deprivations," it is not proportional to the harm prevented for the federal government to impose upon the sovereign States liabilities that it will not assume for itself—namely, the possibility of treble damages, statutory damages, attorney's fees and costs in all cases, and lost profits, none of which are part of the "just compensation" calculation under 28 U.S.C. § 1498(a).

Because of the exclusive jurisdiction conferred upon the Federal Circuit with respect to appeals in cases arising under the patent law, 28 U.S.C. § 1295, no other court will likely have the opportunity to consider these issues, and the decision below will result in the abrogation of state Eleventh Amendment immunity being upheld in all suits against a State for patent infringement. *Amicus* respectfully suggests that such a significant holding, with such obvious gaps in its analysis and errors in its reasoning, is entitled to certiorari review by this Court before it becomes the "law of the land."

B. This Case, Together With the Petition in No. 98-731, Presents An Opportunity for the Court to Resolve Several Related Questions of Importance Concerning the Immunity of States From Federal Court Suits in the Patent Context.

This case, and the case currently pending in which the University is seeking certiorari, *Regents of the University of California v. Genentech, Inc.* (No. 98-731), present complementary issues concerning the application of States' Eleventh Amendment immunity in the context of federal patent statutes, and should be considered together.

This case presents the issue whether the abrogation of Eleventh Amendment immunity in patent cases is sustainable as an appropriate exercise of congressional authority under Section 5 when the State is being sued as the alleged *infringer*. The University's case presents the question of the power of Congress to abrogate state immunity in the context of the State as patent *owner*. In No. 98-731, the University was sued in federal court by a private party seeking a declaratory judgment that the University's patent was invalid or unenforceable. The District Court dismissed the action, holding that the Patent Act's abrogation provision could not be construed to allow declaratory judgment actions against the States because Congress did not have the authority under Section 5 to abrogate state immunity where the plaintiff bringing suit had "no property right in the subject patent." *Genentech v. Regents of the University of California*, 939 F. Supp. 639 (S.D. Ind. 1996). The court further held that because the plaintiff was free to continue its activities until the University lodged an infringement action and secured a judgment in its favor, it "will have gotten due process of law before a deprivation occurs." *Id.*

The Federal Circuit reversed. 143 F.3d 1446 (Fed. Cir. 1998). Although it considered whether the authority conferred upon Congress by Section 5 included the authority to abrogate immunity in suits where the State was the patent owner, it ultimately rested its decision on the conclusion that the University had waived its immunity by owning a patent and threatening to

enforce it. The University's case thus also presents the question whether waiver of Eleventh Amendment immunity can be achieved by implication, whether or not it is within the power of Congress to accomplish directly by abrogation, whenever a state instrumentality enters an area that is the subject of federal law or regulation.

Joint consideration of the issue presented in this case and those presented in No. 98-731 would promote efficient judicial administration and would be particularly beneficial to litigants. By reviewing the decision below, this Court will be in a position, particularly if it also grants certiorari in the University's case, to announce a coherent and complete set of holdings as to the application of the Eleventh Amendment in an important area of federal law.

CONCLUSION

For the reasons set forth above, this Court should grant the petition for a writ of certiorari to the United States Court of Appeals for the Federal Circuit.

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